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Message Text

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ACTION EUR-25

INFO OCT-01 ADP-00 AID-20 CIAE-00 COME-00 EB-11 FRB-02

INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 CIEP-02

LAB-06 SIL-01 OMB-01 DODE-00 PM-07 H-03 L-03 NSC-10

PA-03 PRS-01 SS-15 USIA-15 CEA-02 STR-08 MBFR-03

SAJ-01 NIC-01 RSR-01 /172 W
---------- 076014
R 281742Z AUG 73
FM AMEMBASSY BONN
TO SECSTATE WASHDC 7088
INFO AMEMBASSY BELGRADE
AMEMBASSY BUCHAREST
USMISSION BERLIN
AMEMBASSY BUDAPEST
AMEMBASSY PRAGUE
AMEMBASSY MOSCOW
AMEMBASSY SOFIA
AMEMBASSY WARSAW
AMCONSUL ZAGREB

C O N F I D E N T I A L SECTION 01 OF 02 BONN 12317

E.O. 11652: XGDS
TAGS: EFIN, ETRD, EAID, GW
SUBJECT: WISCHNEWSKI VISIT TO POLAND AND FRG
CONSIDERATION OF NEW MECHANISM FOR EXPORT CREDIT TO
EASTERN EUROPE

REF: A. BONN 1OO33 NOTAL; B. BONN 11122 NOTAL

1. SUMMARY. SENIOR SPD PARTY MEMBER AND INTERNATIONAL
AFFAIRS EXPERT WISCHNEWSKI RECENTLY COMPLETED A WEEK-
LONG VISIT TO WARSAW WHERE HE DISCUSSED FRG-POLISH
RELATIONS WITH HIGH-LEVEL POLISH OFFICIALS, INCLUDING
PARTY LEADER GIEREK. ATTENTION IN BONN HAS CENTERED
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PRIMARILY ON WISCHNEWSKI'S DISCUSSION OF A POSSIBLE
NEW PROGRAM FOR SUBSIDIZING THE INTEREST RATE ON

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FRG EXPORT CREDITS TO EASTERN EUROPE. THE FEDERAL GOVERNMENT'S PRESS SPOKESMAN HAS DENIED THAT SUCH A PROGRAM HAS, AS YET, BEEN DECIDED UPON. HE INDICATED. HOWEVER, THAT A DECISION ON THE POSSIBLE ESTABLISHMENT OF SUCH A MECHANISM COULD BE EXPECTED AT A CABINET MEETING, THOUGH NOT BEFORE EARLY SEPTEMBER. OUR SOURCES IN THE FONOFF AND ECONOMICS MINISTRY CONSIDER THAT, ALTHOUGH ECONOMIC CONSIDERATIONS AND SOME CABINET MINISTERS PRESENTLY ARGUE AGAINST STEPPED-UP PROMOTION OF WEST GERMAN EXPORTS, POLITICAL CONSIDERATIONS COULD WELL BRING A POSITIVE CABINET DECISION ON THE NEW MECHANISM. END SUMMARY.

2. FONOFF SOURCES HAVE TOLD US THEY UNDERSTAND THAT WISCHNEWSKI DISCUSSED THE POOR STATE OF FRG-POLISH RELATIONS FRANKLY WITH TOP POLISH OFFICIALS. HE REPORTEDLY STRESSED PARTICULARLY THE DOMESTIC PROBLEM WHICH THE POLISH SLOWDOWN IN ALLOWING ETHNIC GERMANS TO LEAVE FOR THE FRG WAS CREATING FOR THE FEDERAL GOVERNMENT. THE POLES REBUTTED BY POINTING TO THE DIFFICULTIES WHICH A LARGE-SCALE EXODUS WOULD CAUSE FOR THE POLISH ECONOMY, AND COMPLAINED ABOUT THE LACK OF PROGRESS IN FRG-POLISH BILATERAL ECONOMIC AND TRADE RELATIONS. THEY ALSO RAISED THE ISSUE OF INDEMNIFICATION FOR POLISH-FORCED LABORERS AND CONCENTRATION CAMP VICTIMS FROM THE NAZI PERIOD.

3. APPARENTLY IN AN EFFORT TO GET OUT OF THE IMPASSE, WISCHNEWSKI REPORTEDLY FLOATED THE IDEA (WE UNDERSTAND WITH THE APPROVAL OF THE FEDERAL CHANCELLORY) OF FRG SUBSIDIZATION OF INTEREST RATES ON EXPORT CREDITS TO POLAND. THE POLES WERE REPORTEDLY FAVORABLE TO THE IDEA.

4. ALTHOUGH OUR SOURCES WERE AWARE OF SOME RESERVATIONS ABOUT THE PROJECT ON THE PART OF THE ECONOMICS AND FINANCE MINISTRIES, THEY INDICATED THAT THE FRG FONOFF HOPES TO HAVE A POSITIVE CABINET DECISION ON THE WISCHNEWSKI PROPOSAL PRIOR TO THE SCHEDULED VISIT

TO BONN OF DEPUTY FONMIN CZYREK IN MID-SEPTEMBER. DURING THE LATTER'S VISIT, THE FONOFF HOPES TO SEE THE EMERGENCE OF THE OUTLINE OF AN UNDERSTANDING WHICH WOULD PERMIT THE INDEMNIFICATION ISSUE TO BE PUT TO REST AND THE ETHNIC GERMAN EMIGRATION QUESTION TREATED SYMPATHETICALLY IN EXCHANGE FOR FRG READINESS TO PROVIDE THE LOW INTEREST EXPORT CREDITS. IF SUCH AN UNDERSTANDING LOOKS LIKELY, AND OBVIOUSLY IT WILL NOT BE PRESENTED EITHER TO THE FRG OR POLISH PUBLICS THAT BADLY, THEN FONMIN SCHEEL WOULD BE PREPARED TO VISIT

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WARSAW IN OCTOBER. THIS, IN TURN, WOULD PAVE THE WAY
FOR A GIEREK VISIT TO BONN IN 1974.

5. THE POLITICAL FACTORS IN THE BARGAINING ARE NOT
THE ONLY ONES, HOWEVER. AN ECONOMICS MINISTRY OFFICIAL
SAID THAT TECHNICAL LEVEL OFFICIALS HAD INVESTIGATED
THE QUESTION OF CREATING A MECHANISM TO SUBSIDIZE
INTEREST RATES ON EXPORT CREDITS TO EASTERN EUROPE.
ACCORDING TO THIS OFFICIAL, THE MINISTRY HAS
INVESTIGATED BOTH A GENERAL FACILITY FOR EASTERN TRADE

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AND ONE WHICH WOULD APPLY ONLY TO CERTAIN TYPES OF

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PROJECTS. AS A RESULT OF THE INVESTIGATIONS, THE WORKING LEVEL OFFICIALS HAVE BECOME SKEPTICAL ABOUT THE WISDOM OF A GENERAL INTEREST RATE SUBSIDY FOR EXPORTS TO EASTERN EUROPE IN VIEW OF THE GIGANTIC FRG TRADE SURPLUS. FINANCE MINISTER SCHMIDT, IN AN INTERVIEW LAST WEEK, ALSO VOICED THE OPINION THAT NOTHING WOULD BE SILLIER THAN SUBSIDIZING FRG EXPORTS TO EAST EUROPE. HOWEVER, OUR ECONOMICS MINISTRY SOURCE THOUGHT THAT THE CABINET MIGHT WELL APPROVE AN INTEREST RATE SUBSIDY PROGRAM FOR SPECIFIC TYPES OF PROJECTS, PARTICULARLY ONES INVOLVING SUPPLY OF ENERGY OR RAW MATERIALS TO THE FRG.
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6. IN NOTING THE POLITICAL PRESSURE ON THE CABINET, OUR ECONOMICS MINISTRY CONTACT SPECIFICALLY CITED THE INDEMNIFICATION ISSUE RAISED BY YUGOSLAVIA AND POLAND. HE ADDED THAT SHOULD A PROGRAM FOCUSING ON EASTERN EUROPE BE ESTABLISHED, YUGOSLAVIA WOULD BE INCLUDED BUT WOULD CONTINUE TO MAINTAIN ITS SEPARATE STATUS AS A DEVELOPING COUNTRY AND WOULD CONTINUE AS A CLIENT OF THE FRG MINISTRY FOR ECONOMIC COOPERATION.

7. COMMENT: THE FEDERAL GOVERNMENT CLEARLY FEELS UNDER PRESSURE TO SETTLE THE OUTSTANDING POLITICAL ISSUES WITH POLAND (AND YUGOSLAVIA) AND ALSO TO OBTAIN FROM THE POLES SATISFACTION ON THE ETHNIC GERMAN EMIGRATION QUESTION. THIS LEADS US TO CONSIDER THAT, ECONOMIC FACTORS TO THE CONTRARY, THE GOVERNMENT PROBABLY WILL TAKE A POSITIVE DECISION ON SOME SORT OF NEW MECHANISM THIS FALL. AS LONG AS THE POLES (AND YUGOSLAVS) DO NOT TRY TO PLAY UP PUBLICLY THE LOW INTEREST EXPORT CREDITS AS A FORM OF INDEMNIFICATION TO NAZI VICTIMS, FRG INTERESTS WILL PRESUMABLY HAVE BEEN SERVED AND SOME DIFFICULT POLITICAL PROBLEMS HOPEFULLY CLEARED UP. AND OSTPOLITIK WILL BE ABLE TO BE PORTRAYED YET AGAIN AS A POSITIVE AND PRODUCTIVE DEVELOPMENT FOR THE FRG. ON THE OTHER HAND, THE CHANCELLORY'S RECENT YUGOSLAV AND POLISH INITIATIVES ARE CREATING SOME ANOMALIES IN LONG-STANDING FRG ECONOMIC POLICIES WHICH WILL CERTAINLY GIVE RISE TO TROUBLESOME PRECEDENTS AND SOME DOMESTIC CRITICISM.
END COMMENT
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